

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of

“Glide Path” Policy Paper Filed by State
Members of the Federal-State Joint Board on
Jurisdictional Separations

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) CC Docket No. 80-286
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COMMENTS OF SPRINT CORPORATION

Sprint Corporation hereby files its comments on the “Glide Path” policy paper filed on December 19, 2001 by the state members of the Federal-State Joint Board on Jurisdictional Separations (“Joint Board”).¹ In the policy paper, the Joint Board describes how advances in technology as well as economic, legal, jurisdictional and political changes have rendered jurisdictional separations largely obsolete. The Joint Board considers various changes to Separations, including abolishing it altogether, and outlines seven proposed options for comprehensive reform of the Commission’s Part 36 jurisdictional separations rules.

Of the options proposed, only Option One is acceptable to Sprint. Option One would extend the five-year interim separations freeze for price cap companies, freezing categories and usage factors based on the most recent twelve-month period prior to the

freeze; and for ROR companies, continue to freeze usage factors based on the most recent twelve-month period prior to the freeze, and freeze categories at ROR companies' election. As the Joint Board itself recognizes, the telecommunications industry is in a state of flux and most of the options presented are merely interim measures that will soon be rendered outdated by industry changes. The wisest approach to separations at the moment is to extend the freeze and re-evaluate the situation when the industry has stabilized, competition has developed, and reform can be comprehensive.

Background

The glide path paper filed by the Joint Board proposes options for a transition path from the current frozen (until June 30, 2006) Part 36 regime to a mechanism that reflects substantial technological, economical, and legal changes in the telecommunications environment. The paper considers several reform possibilities, including whether separations can be abolished altogether, or if separations is to remain, what changes should be made to the process, and what methods can be used to transition to a new separations system. It also outlines several goals for separations reform, including making separations simpler, and compatible with new technologies and competitive markets, and aligning cost responsibilities with jurisdictional responsibilities.

The paper outlines seven options for comprehensive separations reform. These include:

Option 1: Extend the Freeze (proposing to extend the interim freeze of the Part 36 category relationships and jurisdictional allocation factors on an annual basis);

¹ "Options for "Separations: A Paper Prepared by the State Members of the Separations Joint Board." CC Docket No. 80-286, filed Dec. 19, 2001; *See* Public Notice, DA 01-2973, rel. Dec. 20, 2001.

Option 2: Separate Traffic-Sensitive Costs with Fixed Allocators (proposing to set all traffic-sensitive costs pursuant to fixed allocators that are set nationally, regionally, or by study area);

Option 3: Total Company Revenue Requirement (proposing to extend the “average-schedule” concept used by smaller carriers to all incumbent carriers. Costs would not be reported by carriers and traditional cost studies would not be performed; rather, carriers would develop interstate revenue requirements based on a formula);

Option 4: Redesign the Separations Process to account for Packed Switching and Competition (proposing to account for the growth of packet-based networks and the increasing number of competitive services being offered by incumbent carriers using a new separations mechanism that distinguishes among services);

Option 5: Facilities-Based Separations (proposing to simplify the separations process by assigning telecommunications equipment to either the state or federal jurisdiction based on the equipment’s location in the network);

Option 6: End of Separations (proposing the complete removal of federal-state jurisdictional separations under two scenarios: 1) assigning pricing policy to the states, thereby replacing tariffs; 2) assigning pricing to the Commission which would set retail rates for services currently subject to separations);

Option 7: Competition Overtakes Regulation (proposing that the Commission relieve incumbent carriers facing effective competition for all regulated services from cost-based rate regulation in both jurisdictions).

Discussion

Of the “Glide Path” options presented in the policy paper, the only one acceptable to Sprint at this juncture is Option One, which maintains the status quo by extending the freeze. More specifically, Option One proposes to extend the five-year interim separations freeze for price cap companies, freezing categories and usage factors based on the most recent twelve month period prior to the freeze; and for ROR companies, continue to freeze usage factors based on the most recent twelve-month period prior to the freeze, and freeze categories at ROR companies’ election. Sprint supports extending the freeze and allowing the industry time to evolve prior to implementing wholesale reform of Part 36 separations. This will enable a well-considered, one-time transition to a new methodology, rather than a solution plagued by perpetual re-working. As the Joint Board recognizes, extending the freeze offers several other advantages. For example, it eliminates the need for basic studies and traffic studies, prevents misallocation of costs associated with dial-up Internet traffic to the state jurisdiction; and recognizes the disconnect between separations and pricing.

The other proposed options all bear significant problems, most of which were identified by the Joint Board itself, and should not be adopted. For example:

Option two, “Separate “Traffic-Sensitive Costs with Fixed Allocators,” would result in a loss of accuracy in separations by eliminating the link between use and assignment of plant and associated costs;

Option three, “Total Company Revenue Requirement,” would be complex and time consuming, resulting in evolving or disparate cost models that are difficult to track and enforce;

Option four, “Redesign Separations to Account for Packets and Competition,” would not reflect increased interstate usage or the impact of new technologies would likely be obsolete by the time it is implemented, and would not correct existing misallocation problems;

Option five, “Facilities-Based Separations,” would be very difficult to implement;

Option six, “End of Separations – One Jurisdiction,” would also be very difficult to implement and would likely result in ongoing jurisdictional battles and inconsistent state pricing policies.

Option seven, “End of Separations - Competition Overtakes Regulation,” would be difficult to administer as evaluating the degree of competition a carrier faces and determining whether conditions are ripe for opting-out of regulation would be controversial and complicated.

Conclusion

Sprint urges the Commission to adopt Option One proposed by the Joint Board, which extends the five-year interim separations freeze.

Respectfully submitted,

Sprint Corporation

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